

## **The State of Utah's Retirement Package- Tier I or Tier II**

As a benefited employee of the State of Utah you will be enrolled in one of two different retirement programs based on hire date, either Tier I or Tier 2, as defined below.

### **State of Utah Tier I Retirement System (Employees Hired Before July 1<sup>st</sup>, 2011)**

Employees who initially hire into a position with benefits prior to July 1, 2011, are enrolled in a non-contributory defined benefit (DB) plan. This is called the State of Utah's Tier I retirement system. Employees that have any service credit in the Tier I system will always stay in that system, even if they leave employment and come back after July 1, 2011, or if they leave state employment for employment with any other entity covered by Utah Retirement Systems (URS).

### **State of Utah Tier II Retirement System (Employees Hired After July 1<sup>st</sup>, 2011)**

Employees who initially hire into a position with benefits on or after July 1, 2011, will have the option to select either a:

#1 Hybrid Defined Benefit (DB) /Defined Contribution (DC) (401k) plan; OR a

#2 Defined Contribution (DC) only 401k plan.

See basic plan features on attached page.

### **Retirement Plan Definitions**

Both the Tier I and Tier II retirement programs consist of a mixture of Defined Benefits and Defined Contributions.

#### **Defined Benefit (DB)**

The DB is Utah Retirement System (URS) managed pension that gives an employee a lifetime monthly payment that is determined by a benefit formula. The formula is based on years of service and salary over an employee's career.

#### **Defined Contribution (DC)**

The DC plan is a qualified 401k plan under section 401 of the Internal Revenue Code. A 401k is a tax deferred savings plan in which the benefit is based on investment performance and personal withdrawals. Utah Retirement Systems (URS) administers the plan for employees but employees have the responsibility to choose where contributions will be invested.

### Snap Shot of Retirement Plan Features

<b>Plan Type</b>	<b>Service Qualifications for Full Retirement</b>	<b>How Does the Benefit Payout?</b>	<b>Is there an Employer 401k Contribution?</b>	<b>Are Employee Contributions Required?</b>	<b>Are there Vesting Requirements?</b>
<b>Tier I DB Plan</b>	30 Years Public Employee  20 Years Public Safety/Fire	The payment is determined by multiplying an employee's <b>three</b> year monthly average salary by the product of the employee's years of service and 2.5% for public employees and 3% for public safety employees.	Yes, in addition the employee will receive an employer contribution of 1.5% of their salary to a 401k. (Public safety employees do not receive this 401k contribution).	No, but the employee can contribute their own money into a 401k.	Yes, there is a four year vesting period before the employee can claim service credit toward the DB plan. The 401k portion has no vesting requirements.
<b>Tier II Hybrid DB/DC</b>	35 Years Public Employee  25 Years Public Safety/Fire	The payment is determined by multiplying an employee's <b>five</b> year monthly average salary by the product of the employee's years of service and <b>1.5%.</b>	Possibly, the State of Utah will contribute 10% for a Public Employee or 12% for a Public Safety/Fire employee into the plan which will go toward the DB portion of the retirement benefit.  If the amount required to fund the DB portion is less than 10% or 12%, the remainder will be contributed by the State into the employee's 401k.	Possibly, The State of Utah will contribute 10% for a Public Employee or 12% for a Public Safety/Fire employee into the plan which will go toward the DB portion of the retirement benefit.  If the amount required to fund the DB portion is more than 10% or 12%, the employee pays the difference.	Yes, there is a four year vesting period before the employee has any claim on employer paid funds.
<b>Tier II DC Only</b>	401k withdrawals are governed by IRS regulations.	The employer and employee contributions, investment choices, and the annual return in the market affect an employee's retirement payout.	Yes, the State will contribute a fixed 10% for a public employee and 12% for a public safety/fire employee into a 401k.	No, but the employee can contribute their own money into a 401k.	Yes, there is a four year vesting period before the employee has any claim on employer paid funds.

This information is for educational purposes only and is not binding on the State of Utah. As a new state employee, you will be mailed a welcome packet from Utah Retirement Systems (URS) with further information about the retirement options available to you. If you have questions please contact Utah Retirement Systems (URS) at [www.urs.org](http://www.urs.org).